

February 5, 2010

Mr. Scott Johnstone, Executive Director
Vermont Energy Investment Corporation
255 South Champlain Street
Burlington, VT 05401

Dear Mr. Johnstone:

On November 2, 2009, the Public Service Board ("Board") received Efficiency Vermont's Annual Plan ("Plan") for the next two years, 2010-2011, from Vermont Energy Investment Corporation ("VEIC").¹ On December 11, 2009, the Board received an Addendum to the Plan covering unregulated fuel energy efficiency services. VEIC operates as Efficiency Vermont under a performance-based contract with the Board. The contract requires VEIC to submit an annual plan to the Board.

A workshop on the Plan and Addendum was held on December 16, 2009. The workshop helped inform the Board about Efficiency Vermont's strategies for promoting energy efficiency during the three-year contract period. The Board and workshop attendees asked several clarifying questions that were aimed at better understanding Efficiency Vermont's current and planned activities. Efficiency Vermont addressed these questions at the workshop.²

On January 8, 2010, and January 27, 2010, the Board received written comments from Central Vermont Public Service Corporation ("CVPS") on the Annual Plan and Addendum, respectively. The full text of the comments are attached for your reference and I have summarized them below.

¹ The Plan describes strategies and initiatives for 2010-2011 because the development of the annual plan corresponds to the three-year contract period, from 2009-2011.

² A transcript of the workshop is available from the court reporter at info@capitolcourtreporters.com or 802-863-6067.

CVPS recommends that any approval issued by the Board for the strategies called for under the Plan and Addendum should make clear that Efficiency Vermont can and should collaborate with distribution utilities in the performance of all energy efficiency services, and help the distribution utilities to meet their respective obligations to provide least-cost service to customers. I remind VEIC that its contract with the Board requires that on a quarterly basis it provide to individual Vermont distribution utilities information on energy efficiency services for use in planning and rate regulation.³

In addition, CVPS notes that, as part of the second phase of Docket 7466, the Board will conduct proceedings to explore the benefits of offering energy efficiency services and initiatives that consider both electro- and non-electro technologies when assessing the cost-effectiveness of consumer end uses.⁴ CVPS recommends that the Board's conclusions reached in that investigation should be recognized in the administration of energy efficiency services proposed under the Plan and Addendum. As part of the proceedings in Docket 7466, the Board will consider whether conclusions reached with regard to electro-technologies should be applied to existing energy efficiency services provided by Efficiency Vermont. Therefore, the Board declines to adopt CVPS's recommendation at this time.

The Board's contract with VEIC specifies performance goals; however, it does not direct how VEIC should implement its programs to achieve those goals. We also recognize that Efficiency Vermont is in its second year of implementing unregulated fuel efficiency activities and has received new additional funding in the fourth quarter of 2009.⁵ With these factors in mind, the Board approves the Plan and Addendum as filed by VEIC. In addition, we encourage Efficiency Vermont to consider the comments summarized above in its planning efforts.

³ State of Vermont Public Service Board Contract for Personal Services as Energy Efficiency Utility, 2009-2011, Attachment L - Scope of Work, at L-4 and L-8.

⁴ On November 24, 2009, the Board issued an Order in Docket 7466 determining that the Energy Efficiency Utility's structure should be changed from the current contract-based model to an "Order of Appointment" model. The Board has appointed a Hearing Officer to conduct additional proceedings to address the transition to the new structure.

⁵ New funding for the implementation of unregulated fuel energy efficiency services comes from Vermont's participation in the Regional Greenhouse Gas Initiative, as specified by 30 V.S.A. § 255(a)(8) and (d).

Please feel free to contact me if you have any questions.

Sincerely,

James Volz
Chairman

Enclosures (2)

cc: Michael Wickenden, Contract Administrator
Vermont Department of Public Service
Central Vermont Public Service Corporation
Attendees at Workshop